

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 HEW-02 OES-03 USIE-00 STR-04 INRE-00

SSO-00 NSCE-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03 NSC-05

PA-01 PRS-01 SS-15 FTC-01 /084 W

----- 127992

O 060948Z SEP 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 4403

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 8101/1

DEPARTMENT PLEASE PASS COMMERCE

E.O. 11652: GDS

TAGS: ECON, EINV, CG

SUBJECT: NATIONALIZATION OF PHARMACEUTICAL SECTOR

REF: KINSHASA 7958

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1. SUMMARY: AFTER FEW DAYS IN FORCE EFFECTIVE
NATIONALIZATION OF PHARMACEUTICAL SECTOR THREATENS TO BE
ROCKY ROAD ENTAILING SERIOUS SHORT TERM DISLOCATION OF
SUPPLY AND DISTRIBUTION AND LONG TERM BILATERAL COMPENSATION
DIFFICULTIES. END SUMMARY.

2. WE HAVE NOW SEEN IMPLEMENTING INSTRUCTION FOR
NATIONALIZATION PROGRAM AND HAVE FOUR WORKING DAYS'
EXPERIENCE OF HOW IT BEING APPLIED. ITS BASIC TENETS
AND THEIR APPLICATION TO DATE FOLLOW:

A) IMPORTING COMPANIES CEASE THEIR ACTIVITIES AS
OF SEPTEMBER 1 AND THEIR DEPOTS AND STOCKS ARE TAKEN
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OVER BY DCMP. THIS HAS BEEN STRICTLY APPLIED. ANY NEW

SUPPLIES ARRIVING IN RESPONSE TO OLD ORDERS GO DIRECTLY TO DCMP CONTROL. SUPPLIES ON HAND IN COMPANY WAREHOUSES BEING STRICTLY CONTROLLED BY NEW "GERANT". AS OF YET NO SALES BEING EFFECTED, WHICH HAVING SERIOUS EFFECT UPON DISTRIBUTION ALREADY BADLY DISLOCATED TO CONSUMING PUBLIC. B) PRIVATE DISPENSARIES ARE TAKEN OVER BY DCMP WHICH WILL HAVE THEM FUNCTION FOR ITS ACCOUNT. IT IS TOO EARLY TO SEE HOW THIS WILL WORK.

C) MANUFACTURING LABORATORIES WILL CONTINUE TO FUNCTION UNDER CONTROL OF THEIR OWNERS AS IN THE PAST. OF THE US-OWNED FIRMS MANUFACTURING, WARNER-LAMBERT IS REPORTEDLY CONTINUING ITS PRODUCTION AS USUAL WHILE TOP COMPANY MANAGEMENT STILL OUT OF TOWN, AND SOME PHAR/ PHARISRA HAS GROUND TO HALT AS INDISPENSABLE LOCAL INDUSTRIAL PHARMACIST WAS SECONDED TO ANOTHER COMPANY AS ITS "GERANT".

D) IT IS PERMISSIBLE TO PHARMACEUTICAL COMPANIES "TO RETAIN" A SCIENTIFIC REPRESENTATION OFFICE OF WHICH SOLE MISSION IS FACILITATE FAMILIARITY OF ZAIRIAN HEALTH SERVICES WITH PHARMACEUTICAL PRODUCTS OF ITS COMPANY. IT IS TOO EARLY TO SEE WHAT DIRECTION THIS PROGRAM WILL TAKE. HOWEVER, SEVERAL COMPANIES ARE PLANNING TO TRY TO USE THIS FEATURE TO CARVE OUT (DURING IMPLEMENTATION OF 2E) AND 2F) BELOW) A PORTION OF THEIR STOCKS AND ASSETS, WHICH OTHERWISE WOULD BECOME PROPERTY OF DCMP IN TOTO, TO REMAIN IN FIRM'S NAME. IF THEY SUCCEED, THIS COULD REDUCE MAGNITUDE OF INITIAL NATIONALIZATION BLOW TO EACH OF THEM, AS WELL AS REDUCE OVERALL MAGNITUDE OF COMPENSATION CLAIMS WHICH WILL CERTAINLY ARISE.

E) FROM SEPTEMBER FIRST NEW "GERANTS" WILL BE INSTALLED AND FORMER PROPRIETORS ARE REQUESTED TO PROCEED WITH HANDLING OVER TO THEM THEIR BUSINESSES AND WITH JOINT PHYSICAL CHECK OF PREVIOUSLY ORDERED INVENTORIES. IN MOST CASES THESE STEPS HAVE BEEN OR ARE BEING CARRIED OUT.

F) TAKEOVER DOCUMENTATION SHOULD INCLUDE ALL USEFUL INDICATIONS ON REAL PROPERTY WHERE DEPOTS OR DISPENSARIES ARE SET UP, ON ACCOUNTING AND PERSONNEL SITUATIONS, AND ON EQUIPMENT, FURNISHINGS AND VEHICLES SERVING THE BUSINESS, AS WELL AS BOTH DETAILED SITUATION REPORT OF ENGAGEMENTS
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UNDERTAKEN BY PROPRIETORS WITH SUPPLIERS AND FINANCIAL INSTITUTIONS AND FINANCIAL STATEMENTS OF LAST TWO YEARS. THIS PROCESS HAS, IN MOST CASES, NOT BEEN COMPLETED YET.

3. AS FURTHER CLARIFICATION OF ABOVE BASIC INSTRUCTION, FOLLOWING "PRACTICAL ATTITUDE FOR /ITS/ APPLICATION" WAS ISSUED SIMULTANEOUSLY:

A) COLLECTION OF RECEIPTS.

1) OPEN AN ACCOUNT FOR DCMF AT BANQUE DU PEUPLE.
2) RECEIPTS FROM SALES MADE BY DEPOTS WILL BE
DEPOSITED IN ABOVE ACCOUNT ACCORDING TO INSTRUCTIONS OF
DCMF'S FINANCIAL SERVICES SECTION.

#N.B. FROM SEPTEMBER FIRST PHARMACIES WILL
CONTINUE TO SELL FOR THE MOMENT AT
USUAL PRICES.

#DURING THIS PERIOD DEPOTS WILL BE CLOSED
IN ORDER TO PERMIT DCMF'S FINANCIAL SERVICES
SECTION TO PERFORM A STUDY ON CALCULATION
OF SALES PRICES CONFORMING TO AUTHORIZED
PROFIT MARGIN. (SEVERAL COMPETENT FUNC-
TIONARIES WILL BE DESIGNATED FOR THIS JOB.)

3) RECEIPTS BROUGHT IN BY PHARMACIES DURING
PERIOD WHERE DEPOTS ARE CLOSED WILL BE DEPOSITED EACH
MORNING AT 8:30 WITH DCMF'S CASHIER.

4) COPY OF CASH DEPOSIT SLIP SERVING AS RECEIPT
WILL BE RETURNED TO DEPOSITING PARTY.

B) SUPPLIES.

1) PHARMACIES WILL GET SUPPLIES AT DCMF
DEPOTS WHERE PRICES WILL BE CALCULATED AS ENUNCIATED
ABOVE.

2) PHARMACIES WILL BUY THEIR PRODUCTS
AT DEPOTS ACCORDING TO THEIR STOCKS AND THEIR NEEDS
WHICH WILL BE DEFINED BY DCMF INTERNAL REGULATION.

3) AS FOR DEPOTS, THEY WILL GET SUPPLIES FROM
DCMF.

C) CONTROL.

1) OBTAIN, AT TIME OF TAKEOVER, PHARMACIES'
ACCOUNTING AND PERSONNEL SITUATIONS AS OF AUGUST 31, 1975.

2) OBTAIN, LIKEWISE AT TIME OF TAKEOVER,
(DISTRIBUTORS) ACCOUNTING AND PERSONNEL SITUATIONS AS
OF AUGUST 31, 1975.

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3) CREATE CORPS OF PHARMACY CONTROLLERS-
INSPECTORS WHOSE JOB WILL BE:

(A) CONTROL OF PRICES

(B) CONTROL OF STOCKS

(C) CONTROL OF MANAGEMENT (CASHIERS LOG,
RECEIPT AND ISSUANCE REGISTER, ETC...)

(D) CONTROL OF PHARMACEUTICAL PRODUCTS FOR
SALE

4) CREATION OF A CLAIMS OFFICE FOR LITIGATION OF
EXISTING CASES BETWEEN:

(A) PHARMACIES AND DEPOTS

(B) DEPOTS AND FOREIGN SUPPLIERS

(C) PHARMACIES AND THIRD PARTIES

(D) DEPOTS AND THIRD PARTIES

4. IT APPEARS ANTI-WESTERN ATTITUDES REPORTED PARAGRAPH 1,B), REFTEL WERE RESULT OF OVER-ZEALOUS INDIVIDUAL INTERPRETATION OF MEASURES BY SMALL NUMBER NEW "GERANTS". DCMP HAS APPARENTLY MOVED DECISIVELY TO QUASH SUCH ACTIONS.

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5. SEEN FROM KINSHASA IT DIFFICULT TO ENVISION HOW DCMP WILL BE ABLE TO MANAGE IMPORTATION, STOCKING AND COUNTRY-WIDE DISTRIBUTION OF ALL NEEDED PHARMACEUTICAL PRODUCTS.

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ACTION AF-06

INFO OCT-01 ISO-00 HEW-02 OES-03 USIE-00 STR-04 INRE-00

SSO-00 NSCE-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05

COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 FTC-01 /084 W

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C O N F I D E N T I A L SECTION 2 OF 2 KINSHASA 8101/2

DUE FOREIGN EXCHANGE CRISIS, STOCKS WERE ALREADY SHORT BEFORE IMPLEMENTATION OF NEW MEASURES. SOME IMPORTANT ITEMS WERE ALREADY OFF OF PHARMACY SHELVES, ALTHOUGH IN SOME CASES STILL AVAILABLE ON BLACK MARKET. THOSE IMPORTERS/DISTRIBUTORS WHO HAD CONTINUED LIMITED IMPORTATION ON INTRA-COMPANY ACCOUNT WITH PARENT HAVE NOW ORDERED STOPPAGE OF ALL SHIPMENTS EN ROUTE. TO BEST OUR KNOWLEDGE, GOZ TENDERS RECENTLY PUBLISHED IN US AND EUROPE FOR BIDS TO SUPPLY DCMP DIRECTLY HAVE NOT BEEN

FULFILLED. DCMF ESTIMATES VALUE OF STOCKS TAKEN OVER IN NATIONALIZATION AT ABOUT \$8 MILLION. IF THAT STOCK REPRESENTED PERFECT DISTRIBUTION OF PRODUCTS ACCORDING TO NATIONAL NEEDS, IT WOULD CARRY THE COUNTRY FOR ABOUT TWO MONTHS. AT SAME TIME, IF BIDS TO FILL DCMF'S TENDERS HAD ALREADY BEEN SUBMITTED, ACCEPTED AND COVERED BY FOREIGN EXCHANGE, IT WOULD TAKE AT LEAST TWO MONTHS TO RECEIVE FIRST SIGNIFICANT SHIPMENTS. SINCE WE DOUBT THAT ANY OF ABOVE "IFS" HAVE BEEN FULFILLED, WE ANTICIPATE LIKELIHOOD OF SHORTAGES OF INCREASING SERIOUSNESS.

6. WE ARE AWARE THAT GOZ RECENTLY OFFERED THREE
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PHARMACEUTICAL FIRMS OPPORTUNITY TO SUBMIT PLANS FOR TAKING OVER UNDER AEGIS OF DCMF, GOVERNMENT'S ENTIRE PHARMACEUTICAL IMPORTATION, STOCKING AND DISTRIBUTION SYSTEM. THOSE THREE WERE US COMPANIES WARNER-LAMBERT AND STERLING AND SWISS FIRM CIBA-CAIGY. WE UNDERSTAND CIBA REFUSED OUT OF HAND TO CONSIDER SUCH PROPOSAL. US FIRMS SAID THEY WOULD THINK ABOUT IT. IN MEANTIME, WARNER-LAMBERT HAS SUBMITTED PROPOSAL WHICH, IN TURN, WAS REJECTED BY GOZ BUT WE UNDERSTAND WARNER-LAMBERT INTERESTED IN NEGOTIATING. THAT LEAVES STERLING STILL OUTSTANDING. WE UNDERSTAND THEY STILL WORKING OUT PROPOSAL WHICH SHOULD BE PRESENTED WITHIN NEXT WEEK OR TEN DAYS. SHOULD AGREEMENT BE REACHED, IT WOULD STILL BE MATTER OF MONTHS BEFORE STERLING OR ANOTHER COULD REALLY BEGIN TO TAKE OVER. THUS SHORT TERM OUTLOOK REMAINS GRIM.

7. ALTHOUGH NOTHING IS IN WRITING, THERE HAS BEEN SOME TALK OF COMPENSATION FOR PHARMACEUTICAL STOCKS NATIONALIZED. IDEA SEEMS TO BE COMPENSATION AT PRICE TO BE UNILATERALLY DETERMINED BY DCMF. MODALITY OF POSSIBLE COMPENSATION NOT YET MENTIONED. NOT EVEN THIS MUCH HAS BEEN SAID ABOUT REAL PROPERTY AND OTHER EFFECTS. AT LEAST ONE FORMER OWNER IS TALKING ABOUT RETURNING TO US, RAISING FUSS IN PRESS AND BRINGING HIS CASE TO HIS CONGRESSMAN. "THEN LET'S SEE WHAT HAPPENS NEXT TIME THESE BASTARDS TRY TO GET SOME AID PROGRAM THROUGH CONGRESS." OTHERS ARE TAKING LESS DRAMATIC POSITIONS, BUT END RESULTS COULD BE MUCH THE SAME.

8. AT EMBASSY INSTIGATION, AMERICAN BUSINESSMEN'S ASSOCIATION (ABA) PHARMACEUTICAL MEMBERS PLANNING STRATEGY SESSION TOMORROW, SEPTEMBER 6.

9. EMBASSY WILL CONTINUE TO FOLLOW AND REPORT DEVELOP-

MENTS.

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